INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Siemens :** SIL delivered revenue/EBITDA/APAT beat of 12/(6)/(0.2)%. Higher commodity prices and logistics costs resulted in EBITDA margin miss. By maintaining deliveries high, taking calibrated price hikes in certain categories, and using appropriate commodities hedging, SIL was able to mitigate the COVID-19 impact to a large extent. Due to the residual impact of COVID-19, component shortages were kept to a minimum, but delivery times were extended. Digitalisation is accelerating, which, along with product orders and higher share of private sector in the mix, will help margins re-rate. SIL has won new orders worth INR 33.8bn, bringing its order book to INR 135bn. The C&S Electric integration is progressing well, with domestic business growing and exports making gradual inroads. We maintain REDUCE on SIL but increase TP to INR 2,035/sh (from INR 2,019/sh earlier). We believe that the current punchy valuation limits any further scope for re-rating.

HSIE Research Team
hdfcsec-research@hdfcsec.com

Siemens

In-line performance

SIL delivered revenue/EBITDA/APAT beat of 12/(6)/(0.2)%. Higher commodity prices and logistics costs resulted in EBITDA margin miss. By maintaining deliveries high, taking calibrated price hikes in certain categories, and using appropriate commodities hedging, SIL was able to mitigate the COVID-19 impact to a large extent. Due to the residual impact of COVID-19, component shortages were kept to a minimum, but delivery times were extended. Digitalisation is accelerating, which, along with product orders and higher share of private sector in the mix, will help margins re-rate. SIL has won new orders worth INR 33.8bn, bringing its order book to INR 135bn. The C&S Electric integration is progressing well, with domestic business growing and exports making gradual inroads. We maintain REDUCE on SIL but increase TP to INR 2,035/sh (from INR 2,019/sh earlier). We believe that the current punchy valuation limits any further scope for re-rating.

- **Q4FY21 highlights:** Revenue: INR 40bn (12% beat), driven largely by digital industries and smart infra. Other segments de-grew YoY; energy/smart infra/mobility/digital ind. recorded revenue at INR 15.7/12.6/2.8/7.8bn, YoY growth of -1/37/-7/24% respectively. EBITDA, at INR 4.3bn (6% miss), was weak due to higher raw material and logistics costs. EBITDA margin came in at 10.7%(-215/+229bps YoY/QoQ) vs. estimate of 12.8%. EBIT margin for the energy segment grew by 105bps annually to 13.2%. It contracted for all others. RPAT/APAT: INR 3.2bn (in-line). The order inflow was at INR 33.8bn, bringing the order backlog to INR 135bn. C&S Electric, for seven months, recorded revenue of INR 6bn and EBITDA margin in mid-single digit. Some integration costs continue to impact the C&S margins.
- **Segmental story intact, secular demand trends across segments:** SIL's core segment continued to recover, as the impact of COVID waned. **Siemens energy** orders came in from transmission predominantly, with FY21 new orders and revenue growing 19% YoY each. **Smart infrastructure's** new order inflow/revenue was up 24/52% YoY, largely led by strong demand from O&M, C&S, steel, cement, data centers, railways, etc. **Digital industries'** new order inflow/revenue was up 52/58% YoY, owing to strong customer demand in electronics, infra, F&B, steel, cement, pharma, and intralogistics. **Mobility** segment's new order inflow/revenue grew/de-grew by 63/(2)% YoY, owing to key orders from metros and railways. Revenue slowed down due to a drop in locomotive components and smaller backlog.
- **Digitalisation to aid margin expansion:** SIL is seeing a rise in digitalisation and new age technology. Scalability of these solutions, pricing levels, and demand may all play a role in their localization. SIL has access to the group's captive IT expertise, which it may leverage to offer smart solutions. Over next 2-5 years, the company expects margins to grow, depending on the scale and rate of digitalisation adoption.

Financial summary

(INR mn, Sep YE)	4QFY21	4QFY20	*YoY (%)*	3QFY21	*QoQ (%)*	FY21	FY22E	FY23E	FY24E
Net Revenues	39,997	35,190	13.7	27,080	47.7	1,29,631	1,54,697	1,84,407	2,11,789
EBITDA	4,287	4,529	(5.3)	2,283	87.8	14,594	19,868	24,949	29,427
APAT	3,230	3,317	(2.6)	1,615	100.0	10,627	14,841	19,073	22,265
Diluted EPS (Rs)	9.1	9.3	(2.6)	4.5	100.0	29.8	41.7	53.6	62.5
P/E (x)						73.3	52.5	40.8	35.0
EV / EBITDA (x)						49.8	36.2	28.7	23.9
RoE (%)						10.7	13.6	15.7	16.2

Source: Company, HSIE Research

REDUCE

CMP *(as on 3 Dec 2021)*	**INR 2,186**
Target Price	**INR 2,035**
NIFTY	**17,197**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 2,019	INR 2,035

EPS change %	FY21E	FY22E	FY23E
	-	-	-

KEY STOCK DATA	
Bloomberg code	SIEM IN
No. of Shares (mn)	356
MCap (INR bn) / ($ mn)	778/10,450
6m avg traded value (INR mn)	875
52 Week high / low	INR2,500/1441

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(3.6)	2.1	42.5
Relative (%)	(2.9)	(8.4)	13.2

SHAREHOLDING PATTERN (%)	**Jun-21**	**Sep-21**
Promoters	75.00	75.00
FIs & Local MFs	10.36	9.92
FPIs	4.60	5.21
Public & Others	10.04	9.87
Pledged Shares	-	-

Source : BSE

Parikshit D Kandpal, CFA
parikshitd.kandpal@hdfcsec.com
+91-22-6171-7317

Manoj Rawat
manoj.rawat@hdfcsec.com
+91-22-6171-7355

Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	Siemens	CFA	NO
Manoj Rawat	Siemens	MBA	NO

Disclosure:

Authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.
Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.
This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.
If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.
Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.
This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.
HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.
HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.
HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.
HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.
HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.
HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.
Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

HDFC securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com